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May 1986

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Distributors prod legislators on high insurance costs

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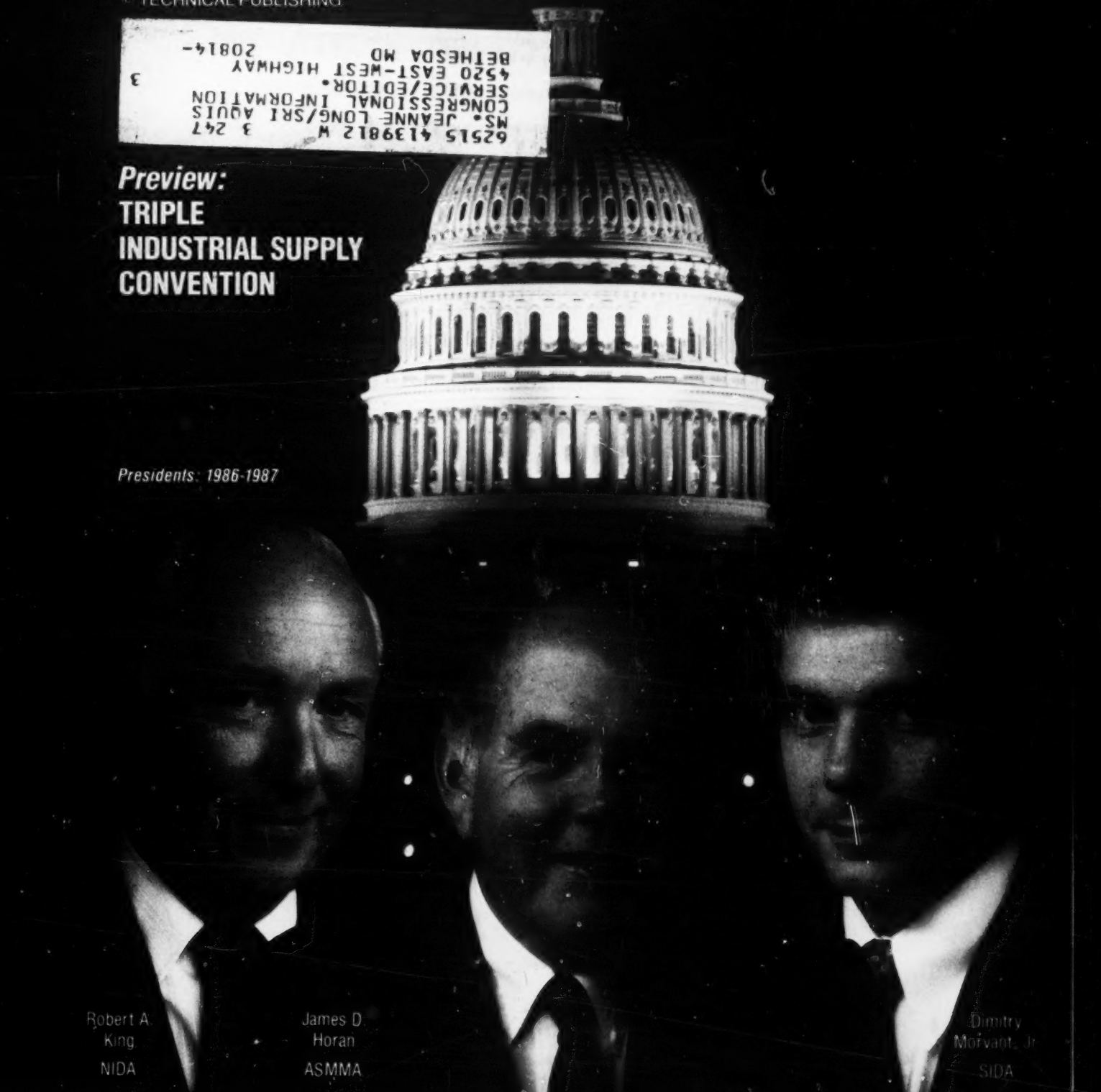

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Industrial Distribution

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Indicators...

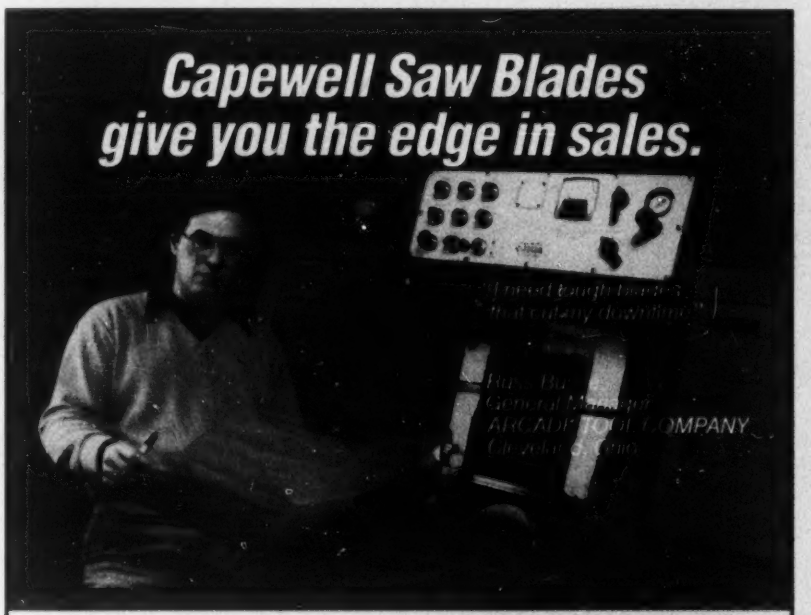
Reports of business activity by three of the leading trade associations continue to demonstrate lack of direction as two declined minimally while the third rose slightly. The NIDA/SIDA *Industrial Distribution Index* for February declined by 2.4 points from January to end the month at 144.3. While regionally the East, Midwest and South all declined, the South with a drop of 5.9 showed the greatest loss. The West showed the only gain with an advance of 1.0. In a Feb. '86/ Feb.'85 comparison, the national average is off by 1.7...The SIDA *Monthly Sales Trend Report* for February retreated by a miniscule 0.44 from January marked by a particulary heavy drop of 13.17 in SIDA Area IV which comprises the oil states of AR, LA, OK, and TX. Other regional results showed Area I (NC, VA, WV) falling 5.52, Area II (FL, GA, SC, Puerto Rico) advancing 7.52 and Area III (AL, KY, MS, TN) climbing 8.91. YTD '86 vs. YTD '85 shows a small loss of 0.66, again led by losses in Area IV...ASMMA's *New Order Index* for January fell 2.4 points to 118.3 from December '85. This figure is lower than all but four of the last 24 monthly ASMMA Indices...The National Assn. of Aluminum Distributors (NAAD) *Quick Pulse Index* of monthly shipments for February '86 show a 7.7 point increase over January. The latest shipment figure is the highest of the last 14 months...The National Welding Supply Assn. (NWSA) *Welding Supply Index* for February dropped 13.4 points from the previous month to 192.2. Year-to-date, the Index is currently running ahead of 1985 by 4.5%...The National Assn. of Aluminum Distributors (NAAD) reports that February shipments advanced 6.8% over January and improved by 5.9% compared with February 1985.

Stanley Works buys hand tool business from Peugeot

NEW BRITAIN, CT—The Stanley Works has announced the purchase of the hand tool business of Societe Industrielle et Commerciale Francaise D'Outillage (SIFCO), part of the Peugeot Group.

Peugeot Hand Tools' sales in 1985 were about $30 million. Sold under the Peugeot and Goldenberg trademarks, the tools are manufactured and distributed from facilities in Saverne and Valentigney in eastern France.

According to Stanley CEO and chairman, Donald W. Davis, the purchase of Peugeot's hand tool business "comple-



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BUSINESS REPORT

Lumber leads the way

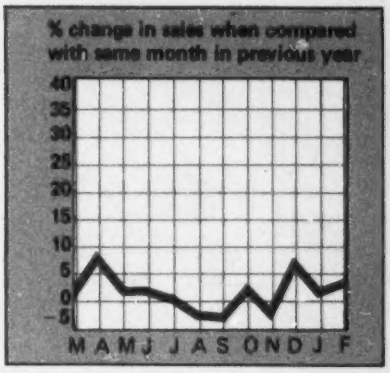
While many urban areas are reporting saturation in office construction (steel frame buildings) leaving an over-abundance of rental space, many suburban and rural areas are registering sharp increases in new home construction and housing starts (wood frame buildings), spurring demand for a variety of products required by local building contractors. Confirmation of this increased demand comes from the forest products region of the U.S. (Oregon-Washington), although it does not appear to be as robust as might be thought for distributors in this region of the country.

Distributors in Oregon report that al though the lumber mills are coming back from the severely depressed days of the 1982-83 recession, they are being held back by imports of less costly Canadian lumber, which is being partly subsidized by the Canadian government. However, Aluminum companies in this region have come to life not necssarily due to increased business, but rather to the sharp reduction in energy costs. The industry recovering most firmly in this area is cabinetry and furniture, reflecting consumer demand to furnish new homes.

Distributor products serving the home construction market having the brightest prospects in this housing boom include pvf, hand tools, power tools, abrasives, and fasteners and specialty hardware. Distributors can also expect increased demand for rental equipment. An added demand in this surge are alarms and other safety and warning devices. Contractors have learned that home buyers are more than willing to pay for these extras when they're built in.

In regional reporting for February, sales increased slightly over a year ago, rising 2% (see graph). In month-to-month reporting, a better barometer of immediate trends, most areas held gains or losses to single digits and the U.S. Totals were down 2%.

Receivables show no appreciable change, but it is expected that lower interest rates will soon reduce the average days outstanding. **—Milt Ellenbogen**



RECEIVABLES*

	Feb. '86 Gen.	Feb. '86 Spec	Feb. '85 Gen.	Feb. '85 Spec.
New England	55 50	51 49		
Middle Atlantic	45	44	49	45
South Atlantic	36	33	40	34
East No. Central	39	43	36	43
East So. Central	41	—	46	—
West No. Central	38	—	38	—
West So. Central	—	—	—	—
Mountain	42	—	46	—
Pacific	40	43	39	44
National	42	43	43	43

* Average days outstanding

SALES BY REGIONS (% change)	Feb.'86 vs. Jan.'86 Gen.	Spec.	Both	Feb.'86 vs. Feb.'85 Gen.	Spec.	Both	1st two months '86 vs. 1st two months '85 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−2	−2	−2	−10	−5	−7	−10	−6	−7
Connecticut	—	−8	—	—	−18	—	—	−16	—
Massachusetts	+4	+1	+2	+3	−4	−3	−1	−4	−4
MIDDLE ATLANTIC: NY, NJ, PA	−15	+2	−3	0	−2	−1	+2	−1	0
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	−31	−16	−26	+3	−8	−2	+13	−5	+6
Pennsylvania	+8	+5	+6	−4	−3	−3	−8	+1	−2
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC, SC, VA, WV	+5	−4	+2	−1	+4	+1	−6	+2	−4
Georgia-Florida	+23	—	—	−8	—	—	−7	—	—
EAST NORTH-CENTRAL: OH, IN, IL, MI, WI	−2	−5	−4	0	+15	+7	+1	+9	+5
Indiana	+6	—	—	+10	—	—	+8	—	—
Wisconsin	−5	−4	−4	+10	+6	+6	+8	+9	+9
Chicago	—	—	—	—	—	—	—	—	—
Michigan	−15	−6	−9	−29	+33	+3	−22	+21	+2
Ohio	−5	—	—	+5	—	—	+8	—	—
EAST SOUTH CENTRAL: AL,MS, KY, TN	+23	—	—	+20	—	—	+10	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−6	—	—	−3	—	—	−5	—	—
WEST SOUTH CENTRAL: AK, LA,OK, TX	+3	—	—	−2	—	—	−11	—	—
Texas	—	—	—	—	—	—	—	—	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	+17	+11	+14	+23	+35	+29	+11	+26	+18
PACIFIC: CA, OR, WA	−9	−4	−8	−6	−3	−5	+9	−3	+6
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	−16	+2	−10	+3	+10	+6	+12	+4	+9
U.S. TOTALS	−3	−2	−2	−1	+7	+2	+1	+2	+1

ID's QUARTERLY INFLATION INDEX

The *Silver/ID* inflation rate for 1985 was only 1.41%, lower even than in the recession year of 1982, and for the fourth quarter of 1984 was actually negative. The *NIDA/SIDA Inflation Index* for 1985 was 1.75%, the lowest rate in the 19 years covered by this index, except for 1983. As our graph shows, in 1980, the first year of our index, the annual inflation rate reached 13%. See Table 2 for the 1985 inflation rate of each of the 33 industrial commodity groups in the *Silver/ID* price index.

Table 1 compares the inflation rate of nine different indexes for the third and fourth quarters of 1985, and for 1985 as a whole. Note that on an annual basis the *Producers Price Index* of wholesale prices *(PPI)* for industrial commodities showed an annual rate of increase of less than 1%. Most of the indexes show a substantial drop from the inflation rate of the prior year.

For 1985 as a whole, of the 33 commodity groups in our index, 24 rose, 7 went down in price, 2 were unavailable. For the fourth quarter of 1985, on the other hand, only 15 rose, 16 declined and 2 were unchanged. The prospect seems to be deflation, especially if oil prices continue to decline.□

Table 1—Comparing inflation indexes

	Current qtr	*BLS inflation rates(%) Year-to-date		
	9/85 vs 6/85 annualized	9/85 vs 12/84 annualized	9/85 vs 9/84	12/84 vs 12/83
Silver/ID index of 33 industrial products groups	0.72%	1.91%	2.01%	2.24%
NIDA/SIDA index of 10 industrial product groups	-0.16%	2.72%	2.22%	2.47%
**PPI index of industrial commodities	-1.84%	0.08%	0.28%	1.44%
Average of above indexes	-0.43%	1.57%	1.50%	2.05%
**PPI index of finished goods (indl/agric)	-5.56%	-1.09%	0.01%	1.85%
Silver/Wholesaler index of 13 lines (pimbg/htng	2.32%	3.63%	3.59%	4.31%
Electrical Marketing index of 24 product groups	2.44%	1.48%	1.61%	3.51%
***NAED inflation index: 16 product groups	4.16%	5.88%	5.93%	5.18%
Consumer Price Index	2.72%	3.80%	3.18%	3.95%

*Bureau of Labor Statistics (1967 = 100)
**Producers Price Index (formerly Wholesale Price Index)
***National Assn. of Electrical Distributors (non-BLS) (1973 = 100)
NOTE: All figures are based on Bls unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column 9 of figures will be current year-to-date annualized. Upcoming reports will follow the above format.

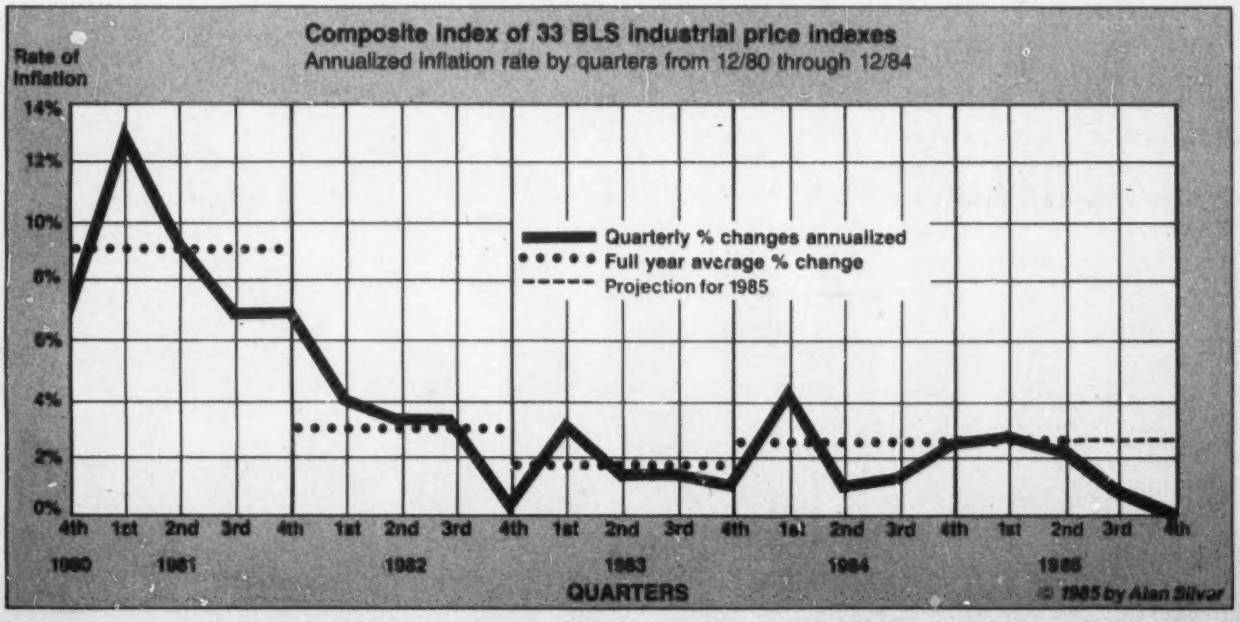

Composite Index of 33 BLS Industrial price indexes
Annualized inflation rate by quarters from 12/80 through 12/84
Rate of Inflation
14%
12%
10%
8%
6%
4%
2%
0%
Quarterly % changes annualized
Full year average % change
Projection for 1985
4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th
1980 1981 1982 1983 1984 1985
QUARTERS
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Table 2—ID quarterly inflation index (1967 = 100 except where otherwise indicated)

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
Product category	Current qtr. 9/85	Previous qtr. 6/85	% inflation current qtr.	Current qtr. annualized %	Year-to-date 9/85 vs 12/84 %	Year-to-date 9/85vs 12/84 annualized %	Last 12 months	4th qtr. 84	4th qtr. 83	Annual inflation 84 %
[5]Industrial oil	98.5	374.0	N/A	N/A	N/A	N/A	N/A	372.7	371.7	0.27
Prepared paint	277.0	278.0	-0.36	-1.44	-0.11	-0.15	-0.14	277.3	264.9	4.68
*Rubber belts & belting	343.5	355.5	-3.38	-13.52	-0.29	-0.39	-1.09	344.5	334.1	3.11
Other misc. rubber products	301.9	300.0	0.63	2.52	-0.79	-1.05	-0.85	304.3	298.2	2.05
Plastic construction products	155.7	162.7	-4.30	-17.20	-7.76	-10.34	-7.87	168.8	170.2	-0.82
Semi-finished steel products	369.8	372.8	-0.80	-3.20	-0.86	-1.15	-1.15	373.0	370.0	0.81
Wire & cable	206.2	202.8	1.68	6.72	2.49	3.32	2.59	201.2	201.5	-0.15
[2]Electric wire & cable	103.9	103.2	0.68	2.72	0.29	0.39	0.58	103.6	103.2	0.39
[2]Building wire & cable	101.4	94.6	7.19	28.76	3.68	4.91	5.52	97.8	104.9	-6.70
Builders hardware	308.4	308.8	-0.13	-0.52	1.85	2.47	3.04	302.8	290.7	4.16
*Hand tools	375.3	373.8	0.40	1.60	2.68	3.57	4.34	365.5	351.0	4.13
*Misc. metal products	302.3	302.5	-0.07	-0.28	0.23	0.31	2.27	301.6	289.3	4.25
[1]Industrial safety equipment	143.6	143.3	0.21	0.84	2.87	3.83	5.20	139.6	133.5	4.57
*Bolts, nuts, screws & rivets (fasteners)	277.9	276.6	0.47	1.88	-0.75	-1.00	0.40	280.0	271.7	3.05
*Power-driven hand tools	233.8	231.3	1.08	4.32	3.18	4.24	3.86	226.6	220.9	2.58
Welding machines & eq.	292.8	293.0	-0.07	-0.28	2.70	3.60	3.46	285.1	273.2	4.36
*Cutting tools & accessories	286.7	285.9	0.28	1.12	1.20	1.60	2.36	283.3	275.8	2.72
Precision measuring tools	263.2	263.3	-0.04	-0.16	3.26	4.35	3.91	254.9	244.4	4.30
*Abrasive products	316.9	317.2	-0.09	-0.36	2.86	3.81	2.09	308.1	305.2	0.75
Metal cutting machine tools	398.2	396.9	0.33	1.32	0.89	1.19	2.95	394.7	379.3	4.06
Metal forming machine tools	434.2	433.8	0.09	0.36	1.28	1.71	2.00	428.7	422.6	1.44
Pumps, compressors & eq.	356.7	356.1	0.17	0.68	1.28	1.71	2.03	352.2	346.3	1.70
Fluid power eq	265.1	263.6	0.57	2.28	1.26	1.68	1.61	261.8	254.3	2.95
*Industrial material handling eq.	294.9	294.9	0.00	0.00	0.92	1.23	1.48	292.2	286.5	1.95
*Mechanical power transmission eq.	339.0	339.7	-0.21	-0.84	2.48	3.31	2.67	330.8	320.4	3.25
[2]*Metal valves, (except fluid power)	105.4	104.9	0.48	1.92	2.53	3.37	2.53	102.8	100.1	2.70
[2]*Metal pipe fittings	109.9	110.2	-0.27	-1.08	0.83	1.11	2.04	109.0	103.3	5.52
Ball & roller bearings	353.7	353.7	0.00	0.00	2.67	3.56	2.79	344.5	333.2	3.39
[4]Plain bearings	101.3	100.8	0.50	2.00	N/A	N/A	N/A	262.2	260.0	0.85
Wiring devices	363.2	360.5	0.75	3.00	0.33	0.44	1.74	362.0	341.9	5.88
Integrating & Measuring Instruments	232.1	233.1	-0.43	-1.72	0.56	0.75	0.83	230.8	223.7	3.17
[3]Electric motors	108.7	108.6	0.09	0.36	3.23	4.31	4.42	105.3	100.4	4.88
[5]Generators & generator sets	107.2	106.8	0.37	1.48	4.28	5.71	4.69	102.8	100.7	2.09
*NIDA/SIDA composite	312.8	312.9	-0.04	-0.16	2.06	2.74	2.06	306.5	299.1	2.47
Silver/ID composite	301.5	301.0	0.18	0.70	1.29	1.72	1.95	297.3	290.8	2.24

*Included in NIDA/SIDA composite

[1] 6/78 = 100 [2] 12/82 = 100 [3] 6/83 = 100 [4] 12/84 = 100 [5] 6/85 = 100

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ID's QUARTERLY INFLATION INDEX

Table 1—Comparing inflation indexes

	Current qtr	*BLS inflation rates(%) Year-to-date		
	12/85 vs 9/85 annualized	12/85 vs 12/84 annualized	12/85 vs 12/84	12/84 vs 12/83
Silver/ID index of 33 industrial products groups	-0.08%	1.41%	1.41%	2.24%
NIDA/SIDA index of 10 industrial product groups	-1.20%	1.75%	1.75%	2.47%
**PPI index of industrial commodities	2.48%	0.68%	0.68%	1.44%
Average of above indexes	1.20%	1.28%	1.28%	2.05%
**PPI index of finished goods (indl/agric)	9.93%	1.64%	1.64%	1.85%
Silver/Wholesaler index of 13 lines (plmbg/htng	0.92%	2.69%	2.69%	4.31%
Electrical Marketing index of 24 product groups	0.72%	1.30%	1.30%	3.51%
***NAED inflation index: 16 product groups	4.44%	4.79%	4.79%	5.18%
Consumer Price Index	3.57%	3.77%	3.77%	3.95%

*Bureau of Labor Statistics (1967 = 100)
**Producers Price Index (formerly Wholesale Price Index)
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(For Table 2, 4th quarter, see p. 150)

ABOUT THE AUTHOR:
Alan Silver, president, Alan Silver & Associates, Inc., Highland Park, NJ, has a background in inventory management dating back to post-WWII 1946. From 1946 to 1963, he was employed as an inventory specialist by wholesalers and distributors. Early in 1963, he formed his own consulting firm specializing in inventory management. A regular contributor to INDUSTRIAL DISTRIBUTION, Silver's latest development is a computerized inventory module which adapts to most existing systems used by distributors without requiring program modification. For copies of Alan Silver's articles, write Alan Silver & Associates, Inc., 168 Woodbridge Ave., Highland Park, NJ 08924. (201) 572-2300.

ID's QUARTERLY INFLATION INDEX...

Table 2—ID quarterly inflation index (1967 = 100 except where otherwise indicated)

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
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Prepared paint	278.4	277.0	0.51	2.04	0.40	0.40	0.40	277.3	264.9	4.68
*Rubber belts & belting	336.4	343.5	-2.07	-8.28	-2.35	-2.35	-2.35	344.5	334.1	3.11
Other misc. rubber products	299.5	301.9	-0.79	-3.16	-1.58	-1.58	-1.58	304.3	298.2	2.05
Plastic construction products	155.8	155.7	0.06	0.24	-7.70	-7.70	-7.70	168.8	170.2	-0.82
Semi-finished steel products	369.8	368.8	0.00	0.00	-0.86	-0.86	-0.86	373.0	370.0	0.81
Wire & cable	205.3	206.2	-0.44	-1.76	2.04	2.04	2.04	201.2	201.5	-0.15
[2]Electric wire & cable	103.5	103.9	-0.38	-1.52	-0.10	-0.10	-0.10	103.6	103.2	0.39
[2]Building wire & cable	99.4	101.4	-1.97	-7.88	-1.64	-1.64	-1.64	97.8	104.9	-6.70
Builders hardware	311.3	308.4	0.94	3.76	2.81	2.81	2.81	302.8	290.7	4.16
*Hand tools	378.5	375.3	0.85	3.40	3.56	3.56	3.56	365.5	351.0	4.13
*Misc. metal products	302.4	302.3	0.03	0.12	0.27	0.27	0.27	301.6	289.3	4.25
[1]Industrial safety equipment	144.6	143.6	0.70	2.80	3.58	3.58	3.58	139.6	133.5	4.57
*Bolts, nuts, screws & rivets (fasteners)	276.1	277.9	-0.65	-2.60	-1.39	-1.39	-1.39	280.0	271.7	3.05
*Power-driven hand tools	235.1	233.8	0.56	2.24	3.75	3.75	3.75	226.6	220.9	2.58
Welding machines & eq.	297.1	292.8	1.47	5.88	4.21	4.21	4.21	285.1	273.2	4.36
*Cutting tools & accessories	287.4	286.7	0.24	0.96	1.45	1.45	1.45	283.3	275.8	2.72
Precision measuring tools	265.1	263.2	0.72	2.88	4.00	4.00	4.00	254.9	244.4	4.30
*Abrasive products	313.6	316.9	-1.04	-4.16	1.79	1.79	1.79	308.1	305.2	0.75
Metal cutting machine tools	395.1	398.2	-0.78	-3.12	0.10	0.10	0.10	394.7	379.3	4.06
Metal forming machine tools	437.2	434.2	0.69	2.76	1.98	1.98	1.98	428.7	422.6	1.44
Pumps, compressors & eq.	359.5	356.7	0.78	3.12	2.07	2.07	2.07	352.2	346.3	1.70
Fluid power eq	265.6	265.1	0.19	0.76	1.45	1.45	1.45	261.8	254.3	2.95
*Industrial material handling eq.	296.0	294.9	0.37	1.48	1.30	1.30	1.30	292.2	286.5	1.95
*Mechanical power transmission eq.	339.0	339.0	0.00	0.00	2.48	2.48	2.48	330.8	320.4	3.25
[2]*Metal valves, (except fluid power)	105.3	105.4	-0.09	-0.36	2.43	2.43	2.43	102.8	100.1	2.70
[2]*Metal pipe fittings	109.6	109.9	-0.27	-1.08	0.55	0.55	0.55	109.0	103.3	5.52
Ball & roller bearings	353.2	353.7	-0.14	-0.56	2.53	2.53	2.53	344.5	333.2	3.39
[4]Plain bearings	101.1	101.3	-0.20	-0.80	N/A	N/A	N/A	262.2	260.0	0.85
Wiring devices	364.2	363.2	0.28	1.12	0.61	0.61	0.61	362.0	341.9	5.88
Integrating & Measuring Instruments	232.7	232.1	0.26	1.04	0.82	0.82	0.82	230.8	223.7	3.17
[3]Electric motors	108.4	108.7	-0.28	-1.12	2.94	2.94	2.94	105.3	100.4	4.88
[5]Generators & generator sets	107.5	107.2	0.28	1.12	4.57	4.57	4.57	102.8	100.7	2.09
*NIDA/SIDA composite	311.8	312.8	-0.30	-1.20	1.76	1.76	1.76	306.5	299.1	2.47
Silver/ID composite	301.4	301.5	-0.02	-0.06	1.28	1.28	1.28	297.3	290.8	2.24

*Included in NIDA/SIDA composite

[1] 6/78 = 100 [2] 12/82 = 100 [3] 6/83 = 100 [4] 12/84 = 100 [5] 6/85 = 100

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Distributor productivity report

A NIDA/SIDA preview of distributors' 1985 business

Industrial distributors came down in 1985 from the heights attained the year before. Growth slowed to 3.5% from 1984's 21.5%, a steep decline which had an adverse affect on productivity. However, both profit margin and ROI were about the same as the previous year, according to the National and Southern Industrial Distributor Assn's preview.

Although still profitable, the industry has not yet found the formula for increasing gross margins or lowering payroll expenses to achieve greater productivity, especially when experiencing mediocre sales. Although some statistics were favorable, they were by no means outstanding.

Pretax profits as a *% of gross margin* was 5.4% (1.8% on sales) in 1985 compared to 5.7% (1.7% on sales) in 1984, primarily due to a drop in interest expense.

Payroll costs as a *% of gross margin* rose to 60.1% from 58.5% in 1984, and although the gross margin per employee rose $3600, to $46,600 from $43,000, the average payroll per employee rose $2200 to $27,600 from $25,400.

Raise Gross Margin (GM):	
PPR = $\frac{\text{Payroll}}{\text{GM \$}}$ = $\frac{\$27,600}{\$55,200}$ = **50%**	
Lower Payroll Per Employee:	
PPR = $\frac{\text{Payroll}}{\text{GM \$}}$ = $\frac{\$23,300}{\$46,600}$ = **50%**	

Low productivity was the key factor in the failure of distributors to raise profits. If distributors want to reach the goal of 50% for PPR (personal productivity ratio), they must either raise the gross margin per employee with the same payroll per employee or lower the payroll per employee with the same gross margin per employee (see equation). The solution can, of course, be a combination of both.

Industrial distributors *can* increase employee productivity! The climate has never been better than it is right now. The recession of 1982-83 resulted in highly visible changes in attitudes of workers and makes the time opportune for improving productivity. The work force is psychologically ready for a change. Unions have been forced to return some wages and benefits, and to make rule changes. Employee cooperation is the best it's been in years. It's time to make a compact that rewards work by tying wage increases to productivity.

The greatest weakness for distributors trying to increase productivity is a failure to set goals. Many executives automatically grant wage increases annually, without any regard for productivity gains or losses. If sales increase, and they see a reasonable profit, they're happy.

Sales managers can play a key role here. In the past, they have strived to keep business coming in, new and old, but they have rarely been able to see the relationship of their efforts with the overall productivity of the firm. Changes in sales policy and compensation will be necessary if the firm is to see productivity improvement, and as these changes are usually accompanied by resistance from the sales manager (and the salesmen), enlisting (and rewarding) their cooperation is vital to success.

It may be a long time before we see the enormous secular growth of the past 40 years; instead, we may see low and probably no secular growth for long periods of time. Of course, some commodity lines and some firms will be the exceptions, but their growth periods will be followed by downturns. The companies that see their profits increase meaningfully each year despite slow growth, will be those that put into practice reforms geared to raising productivity.

This Distributor Productivity Report preview was compiled and written by distributor consultant George C. Webster. The complete confidential report, gleaned from the membership of the National and Southern Industrial Distributors Assns., is available to members for $90; for non-members (distributors or manufacturers) for $175. Write to NIDA, 1900 Arch St., Philadelphia, PA 19103.

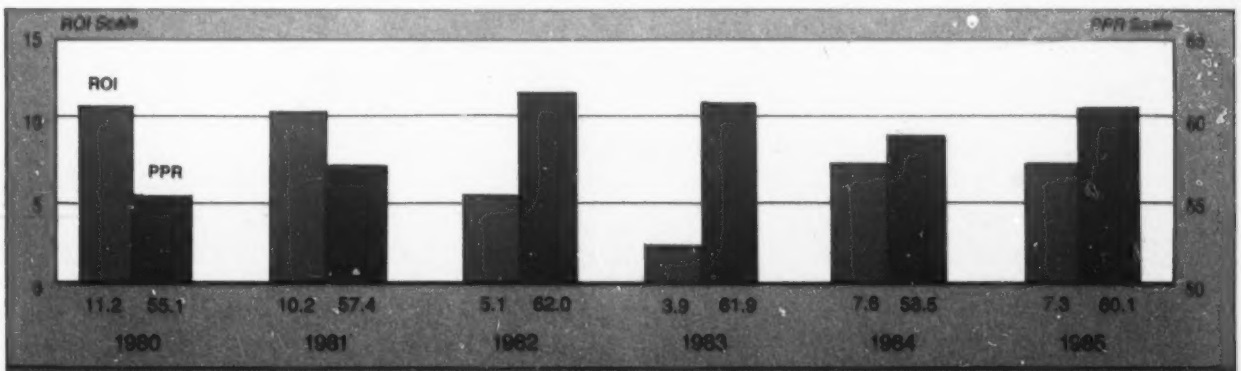

Fig. 1. Personal Productivity Ratio vs. Return on Investment. The goal for ROI is 15 and was achieved only once, in 1979. As PPR advanced through 1983, ROI declined from over 15% to under 4%.

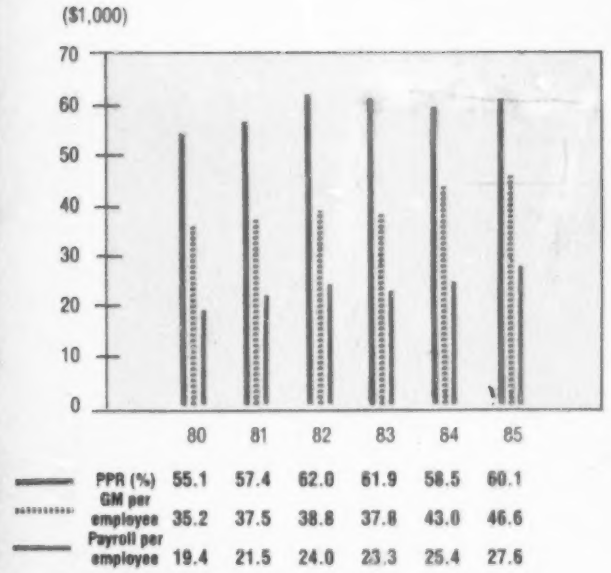

Fig. 2. Gross Margin & Payroll per Employee vs. PPR. Gross margin per employee has risen only 33% since 1979 compared to an increase in average payroll of 59%. This is key factor in failure to raise productivity.

	1980	1981	1982	1983	1984	1985
Growth in Sales	5.0	6.0	-9.7	-4.1	21.5	3.5
GM/Employee ($1,000)	35.2	37.5	38.8	37.8	43.0	46.6
Payroll % GM (PRR)	55.1	57.4	62.0	61.9	58.5	60.1
Gross margin (%)*	22.7	22.3	24.6	24.4	24.0	24.3
Accounts receivable (days)	39.0	41.0	35.6	45.5	42.7	41.7
Inventory turnover*	3.7	3.7	2.3	2.3	2.6	2.9
Return on investment (%)	11.2	10.2	5.1	3.9	7.6	7.3
Net profit before tax (% of sales)	3.0	2.5	.7	.6	1.7	1.8

*Values prior to 1982 were not always calculated on the same basis.

Fig. 3. Trends in Key Measures. The key measures for the past several years show no major movements with the exception of sales growth, gross margin per employee, and a slight improvement in inventory turnover.

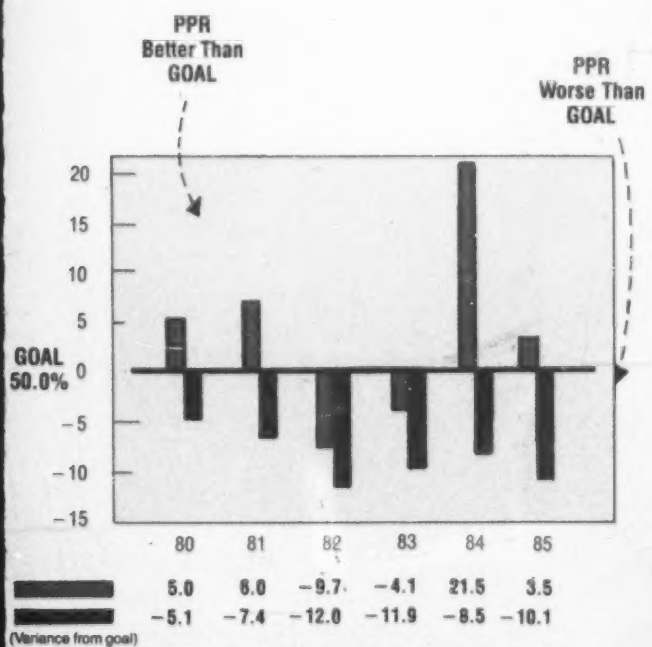

Fig. 4. Sales Change vs. PPR Goal. Productivity tends to follow sales growth. The 21.5% sales increase in 1984 should have brought the PPR closer to the 57% goal, but payroll remained high right into 1985.

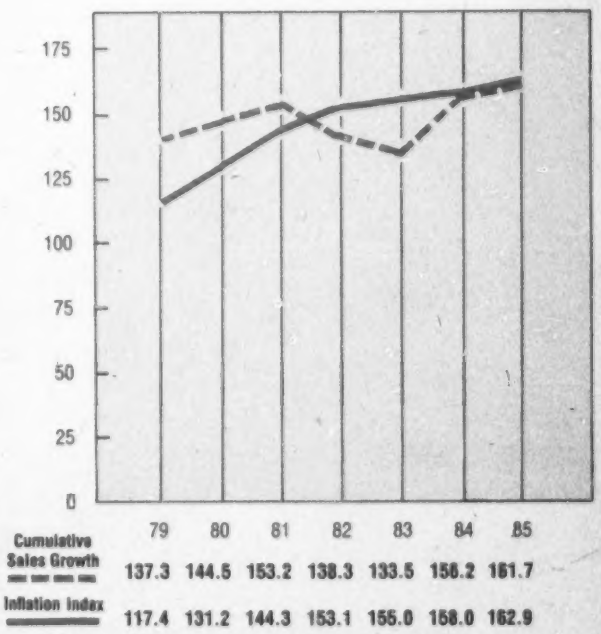

Fig. 5. Sales Growth & NIDA/SIDA Inflation Index. Distributor sales increases have failed to keep up with price increases. Without price increases over past eight years, distributors would have shown a drop in sales.